



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

June 6, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES – CONTRACT
MANAGEMENT REVIEW (Board Agenda Item 23, June 26, 2012)**

On June 26, 2012, your Board instructed the Chief Executive Officer (CEO) to work with the Department of Children and Family Services (DCFS or Department), Internal Services Department (ISD), and the Auditor-Controller (A-C) to audit DCFS' contract mechanisms and make recommendations for the deliverables to effectively evaluate outcomes.

In July 2012, the CEO, DCFS, ISD, and the A-C met to discuss the actions needed to address the Board's instructions. It was determined that the A-C would conduct the audit of DCFS' contract management and monitoring processes, while the CEO and ISD would assist DCFS in reviewing the mechanisms involved in DCFS' Safe Children and Strong Families solicitation. At the request of the Department, we delayed the start of our review until December 2012. DCFS contract staff had to focus on the completion of its Safe Children and Strong Families solicitation contract process. An injection of an audit in the middle of this process would dilute DCFS' required resources to complete the solicitation.

Background

DCFS has approximately 450 contracts with private non-profit and for-profit agencies, totaling over \$500 million annually. DCFS' Contracts Administration Division (CAD) is responsible for soliciting contracted services, preparing solicitation documents such as Requests for Proposals, Requests for Statements of Qualifications, and sole source

negotiations. CAD also ensures contractors have sufficient insurance to meet contract requirements. DCFS program staff also assist in the contract solicitation process by preparing the Statements of Work.

Scope of Review

We evaluated the Department's contract management and monitoring processes. This included evaluating how the Department manages their existing contracts and conducts solicitations for new contracts. In addition, we evaluated the appropriateness of DCFS' performance outcomes and contract monitoring processes for contracts covering a select number of programs. We also evaluated DCFS' staff qualifications and training.

Results of Review

Overall, DCFS' contract management maintained appropriate controls over its operation despite having a key management level position vacant for over a year. Generally, DCFS contract staff possessed the appropriate qualifications to carry out their job duties and the staffing levels were appropriate. DCFS conducted their solicitations in a fair and objective manner and in accordance with County policy. DCFS was also in compliance with sole source contract requirements for the two agreements reviewed, including adequately documenting the justification and properly notifying the Board of Supervisors. In addition, DCFS included appropriate performance outcomes and mandatory contract language in the contracts for the programs reviewed.

In the area of contract monitoring, DCFS needs to ensure appropriate oversight of all contractors. This includes standardizing the monitoring process throughout the Department and establishing performance goals and ongoing training for contract management and monitoring staff.

We noted areas where DCFS can strengthen its contract management and monitoring processes. For example, DCFS:

- Did not provide contract management and monitoring staff with relevant training to successfully complete their monitoring responsibilities, particularly in the area of fiscal monitoring. Five (83%) of the six program staff interviewed stated they had no contract training. DCFS needs to ensure staff involved with the solicitation and contract monitoring process are provided with relevant training.

DCFS' attached response indicates that they agree with this recommendation, and have established short-term and long-term training actions.

- Did not have formal written policies and procedures for contract management and monitoring staff that sufficiently address all key contract management and monitoring areas. At the time of our review, DCFS was in the process of drafting

written policies and procedures. DCFS management should develop general and contract-specific written policies and procedures for Departmental contract management and monitoring.

DCFS' attached response indicates that they agree with this recommendation.

- Did not identify monitoring requirements for each program. DCFS should develop a comprehensive risk-based monitoring plan that ranks contracts according to their relative risk (e.g., child safety issues, service requirements, dollar value, contract type, etc.). The risk-based monitoring plan should also identify the monitoring requirements for each program and identify whether the monitoring should be performed internally or externally and how often.

DCFS' attached response indicates that they agree with this recommendation, and they will develop a comprehensive risk-based monitoring plan.

- Did not have a department-wide standardized approach to monitor its contractors. The type and extent of the monitoring varied between programs with some programs receiving extensive monitoring, while other programs received nominal or no formal monitoring. DCFS should consider centralizing its monitoring function and develop standardized monitoring procedures that define the scope, frequency, reporting requirements, and follow-up of each monitoring effort. Restructuring the contract monitoring function under one manager will also help ensure contractors are held accountable to the same standards.

DCFS' attached response indicates that they agree with this recommendation, and are moving to centralize all contract monitoring functions.

- Did not always issue formal written reports to communicate the results of their monitoring reviews. DCFS did not issue formal reports for three (60%) of the five programs reviewed. The program managers verbally discussed the findings with the contractors. DCFS should ensure written reports are issued for all monitoring reviews and that copies of the reports are distributed to the appropriate DCFS management and contractors.

DCFS' attached response indicates that they agree with this recommendation, and plan to have additional staff resources to strengthen the Department's oversight of its contracts.

- Did not ensure contractors submit corrective action plans within established timelines and that staff conducted timely follow-up reviews. Contractors submitted three (43%) of the seven corrective action plans reviewed more than two months beyond DCFS' established deadlines. We also noted that for two (29%) of the seven monitoring reports reviewed, staff did not ensure that outstanding

recommendations identified in the monitoring reports were implemented. DCFS management should ensure that corrective action plans are submitted by contractors within established timeframes and that DCFS staff conduct timely follow-up.

DCFS' attached response indicates that they agree with this recommendation, and are working to ensure timely submission of corrective action plans by contractors and follow-up by the Department.

- Did not always maintain documentation to support their monitoring reviews of the contractors' programmatic performance. The Department did not have documentation to support that they evaluated the contractors' performance for three (60%) of the five programs reviewed. DCFS management should ensure staff evaluate contractor performance against targeted outcomes and that results are appropriately documented.

DCFS' attached response indicates that they agree with this recommendation, and will develop specific tools to evaluate, track, and monitor contractor performance and outcomes for all contracts.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with DCFS management on May 16, 2013. Overall, in their attached response, DCFS agreed with our findings and recommendations.

We thank DCFS and ISD management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB:ku

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Tom Tindall, Director, Internal Services Department
Sachi A. Hamai, Executive Officer, Board of Supervisors
Public Information Office
Audit Committee
Children's Deputies

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CONTRACT MANAGEMENT REVIEW
FISCAL YEAR 2012-13**

Background

On June 26, 2012, your Board instructed the Chief Executive Officer to work with the Department of Children and Family Services (DCFS or Department), Internal Services Department (ISD), and the Auditor-Controller (A-C) to audit DCFS' contract mechanisms and make recommendations for the deliverables to effectively evaluate outcomes.

The Department ensures safety and permanency for children and families in Los Angeles County. Services include child abuse and neglect investigations, responsibility for foster care and adoptions for children removed from their families, and collaboration with community partners to strengthen families and avoid out-of-home placements.

DCFS has approximately 450 contracts with private non-profit and for-profit agencies, totaling over \$500 million annually. Examples of contracted services include Foster Family Agency services (recruitment, training, and supervision of foster homes for children under the Department's supervision), Group Home services (care and supervision to children requiring a more structured environment than a foster family home), Family Preservation (in-home counseling and other supportive services for at-risk families), Wraparound services (providing individualized services to children and their families), Emergency Shelter Care (obtaining short term placements for children under the Department's supervision), and training for new social workers.

DCFS' Contracts Administration Division (CAD) is responsible for managing the Department's contracting processes to procure goods and services. This includes preparing solicitation documents such as Requests for Proposals (RFP), Requests for Statements of Qualifications (RFSQ), and conducting sole source negotiations. CAD also ensures contractors have sufficient insurance to indemnify the County.

DCFS' contract development and monitoring functions are decentralized. Program staff throughout the Department develop the Statements of Work (SOW) for contracts and may monitor contractors to ensure the contractors provide services in accordance with their County contracts.

Scope of Review

We evaluated the Department's contract management and monitoring processes which included evaluating the Department's management of existing contracts and their performance in conducting solicitations for new contracts. We also evaluated the performance outcomes and contract monitoring processes for a selected number of contracts and evaluated staff qualifications and training.

In conducting our review, we interviewed contract administration and program staff, reviewed contract solicitation and evaluation documents, and reviewed contract monitoring reports.

Contract Management

Contract Staffing

DCFS' CAD is responsible for managing contract solicitations and maintenance for all DCFS contracts. We reviewed CAD's staffing levels and the class specifications for each position. CAD staff had the appropriate qualifications to carry out their job duties and the staffing levels were generally appropriate.

However, the CAD's Division Manager position has been vacant since February 2012. The Division Manager vacancy has resulted in increased workloads for the three section managers, such as preparing division-wide status reports and attending Board of Supervisors meetings. In addition, the Senior Deputy Director has assumed additional responsibilities to coordinate the work of the three division managers which impacts her ability to focus on more strategic issues for the Department. DCFS has been working with the Department of Human Resources (DHR) to fill the position.

DCFS should consider designating an Interim Division Manager until a candidate to fill the position is identified. Designating an Interim Division Manager over DCFS' three contract administration sections would promote centralization of the contract administration process, consistency in the enforcement of policies and procedures, and improved communication within CAD and the Department.

Recommendations

DCFS management:

- 1. Consider designating an Interim Division Manager until a candidate is identified to fill CAD's Division Manager position.**
- 2. Work with DHR to ensure key vacancies are filled promptly.**

Contract Staff Development

Experienced and well-trained staff are necessary for efficient and effective contract management and monitoring functions. We surveyed 21 CAD staff and interviewed six program staff about their job training and experience. Ten (48%) of the 21 contract staff surveyed had been assigned to CAD for less than four years and nine (43%) CAD staff had never worked on a DCFS RFP solicitation prior to their current assignments.

All CAD staff attended the ISD's introductory contracting class which covers basic County contracting processes. However, 11 (52%) of the 21 CAD staff indicated that

they needed more training to effectively and efficiently perform their job duties. For example, staff indicated they needed additional training in State and federal contracting requirements since the majority of the Department's contracts involve State and federal funding.

In addition, five (83%) of the six program staff interviewed stated they had no contract training. As previously noted, program staff develop the SOWs and may monitor contractor program performance. Without an effective SOW, the contract and solicitation process will not succeed in meeting the needs of the Department. Contract training for program staff will provide increased understanding of the contracting process, improve working relationships among contract staff, and promote an effective solicitation process.

DCFS needs to provide ongoing training to staff to address their expanding job responsibilities, and explore different training options, including developing internal training classes using the knowledge and expertise of accomplished management in the Department, or hiring a consultant to develop training classes/tools. In addition, we will provide the Department with a list of training classes offered by the A-C that could aid the Department in fulfilling their training needs.

Recommendations

DCFS management:

- 3. Ensure all staff involved in the solicitation process, including program staff, attend contract training.**
- 4. Provide ongoing training to contract administration, program, and monitoring staff as needed.**

Contract Staff Performance Goals

Effective goals to measure individual job performance can help improve accountability and ensure that high-priority programs and ongoing projects are also monitored. Establishing individual goals to measure job performance can yield significant benefits by:

- Developing performance benchmarks that help identify workload standards.
- Identifying progress in achieving desired outcomes.
- Clarifying staff and line management responsibilities.
- Improving utilization of staffing and financial resources to achieve desired outcomes for program units and the Department.

- Improving executive management's decision making and selective intervention to ensure efficient achievement of desired outcomes.

Incorporating performance goals as part of the employees' performance evaluations also helps better align the employees' work efforts and professional goal-achievements with the overall goals of the Department.

We interviewed six staff regarding various aspects of DCFS' contract administration, and all six staff interviewed indicated that their performance evaluations do not include goals.

DCFS needs to develop performance goals for their contract management and monitoring staff and incorporate the goals in the staff's performance evaluations.

Recommendation

- 5. DCFS management develop performance goals for their contract management and monitoring staff and incorporate the goals in the staff's performance evaluations.**

Policies and Procedures

Beyond the planning and goal setting duties that management performs, there is both the necessity and responsibility to establish a functional structure that will implement and promote the accomplishment of the Department's objectives. Accordingly, management must establish administrative controls to provide operational efficiency and adherence to prescribed Departmental policies. Policies and procedures assign responsibility for business activities and enable management to establish accountability for achieving the organization's objectives.

Written policies and procedures communicate Departmental and divisional goals and standards to employees. They also serve as a reference for staff, particularly for staff that are relatively inexperienced.

In January 2011, DCFS began developing formal written contract monitoring policies and procedures to help standardize the contract management and monitoring processes. The Department needs to ensure that the finalized policies and procedures will sufficiently address all key contract management and monitoring areas.

Recommendation

- 6. DCFS management develop general and contract-specific written policies and procedures for Departmental contract management and monitoring.**

Contract Solicitation Process

We reviewed two RFPs and one RFSQ. We also reviewed two sole source agreements that the Department entered into over the last two years and four executed contracts. Our objective was to determine if DCFS followed County contract solicitation and sole source requirements, evaluated the proposals fairly, and included mandatory contract language.

DCFS included all mandatory solicitation instructions and forms in the solicitations reviewed and the evaluation process complied with County policy. DCFS also completed one of the two RFPs and the RFSQ within the established timeframes. In addition, DCFS followed the County's Sole Source Policy, including adequately documenting the sole source justification and properly notifying the Board of Supervisors.

One of the RFP solicitations reviewed involved hiring contractors to provide services covering five different programs. The Department structured the solicitation in an effort to integrate services and ensure a continuum of care to clients. However, this approach proved to be more complicated than expected, resulting in lengthy delays in completing the solicitation process. For example, DCFS needed to make multiple revisions to the solicitation documents that necessitated the re-release of the RFP.

DCFS should consider adjusting the contract terms for selected contracts to avoid structuring complex solicitations that cover multiple programs. This would allow the Department to more efficiently deploy its contracting resources, and still implement a comprehensive service delivery system.

Recommendation

- 7. DCFS management consider adjusting the contract terms for selected contracts to avoid structuring complex solicitations that cover multiple programs.**

Contract Monitoring

Contract Monitoring Reviews

We reviewed current monitoring practices for five programs to evaluate the adequacy of DCFS' contract monitoring. We reviewed a sample of contract invoices, monitoring reports, and interviewed program managers.

DCFS' contract monitoring function is decentralized. The scope (e.g., administrative, program, or fiscal monitoring) and frequency of contract monitoring performed may differ depending on whether the monitoring is conducted by CAD, the applicable program unit, DCFS' Out-of-Home-Placement Division, etc. For example, CAD's staff monitors contractors for compliance with insurance requirements while DCFS' program

staff monitor contractors for compliance with contract service provisions. In addition, the A-C also performs fiscal reviews of certain contracts, such as Foster Family Agency, Group Homes, Family Preservation, and Wraparound.

Although the five programs reviewed were monitored, the type and extent of the monitoring varied with some programs receiving extensive monitoring, while other programs received nominal or no formal monitoring. For example, we noted staff monitored two programs on an informal basis through discussions with the contractors rather than reviewing the contractors' records and other supporting documentation, or interviewing key contractor staff. In addition, DCFS did not conduct fiscal monitoring reviews for three (60%) of the five programs reviewed.

To enhance the Department's current contract monitoring efforts, the Department should develop a comprehensive risk-based monitoring plan. The plan should inventory all contracts by program and rank them according to their relative risk (e.g., child safety issues, service requirements, dollar value, contract type, etc.). In addition, the Department should identify the monitoring requirements for each program and identify whether the monitoring should be performed internally or externally and how often.

To provide better standardization and improved accountability, the Department should consider centralizing their monitoring function and develop standardized monitoring procedures that define the scope, frequency, reporting requirements, and follow-up of each monitoring effort.

Recommendations

DCFS management:

- 8. Ensure contracts are adequately monitored by qualified staff.**
- 9. Develop and implement a comprehensive risk-based monitoring plan, including program-specific monitoring policies and procedures.**
- 10. Consider centralizing the contract monitoring function to ensure standard and consistent monitoring, reporting, and follow-up.**

Contract Monitoring Reports

Issuing written reports to formally communicate the results of individual contractor monitoring reviews improves awareness throughout the Department of the contractor's performance. In addition, providing a written report to the contractor provides them with formal notification to correct the areas of noted deficiencies, and provides a good basis to enforce contract remedies, such as payment suspension.

For three (60%) of the five programs reviewed, DCFS staff did not issue formal monitoring reports. The program managers verbally discussed the findings with the

contractors. For the two programs that were issued monitoring reports, we noted that some of the findings contained in the reports were not sufficiently documented. For example, one monitoring report indicated ten case files were reviewed, but the documentation only supported DCFS staff reviewing seven case files.

Recommendation

- 11. DCFS management ensure the issues noted in the monitoring reports are sufficiently documented, and that written reports are issued for all monitoring reviews and distributed to the appropriate DCFS managers and contractors.**

Contract Monitoring Follow-up

Requiring corrective action plans from contractors and conducting timely follow-up reviews holds contractors more accountable and helps ensure that the contractors' correct areas of non-compliance.

DCFS does not always ensure that contractors submit corrective action plans within established timeframes. We noted that three (43%) of the seven corrective action plans reviewed were submitted by the contractors more than two months after the stated deadline. We also noted that for two (29%) of the seven monitoring reports reviewed, staff did not ensure that outstanding recommendations identified in the monitoring reports were implemented.

Recommendation

- 12. DCFS management ensure that contractors submit corrective action plans within established timeframes and that DCFS staff conduct timely follow-up.**

Contractor Performance Outcomes

Establishing performance outcomes and monitoring contractor performance against targeted performance levels helps the Department evaluate whether the contractors and programs are achieving the programs' stated purposes. In addition, establishing and monitoring performance outcomes:

- Improves the quality of the contractor performance.
- Ensures readily identifiable and measurable contractor performance tasks and standards.
- Provides effective auditing and monitoring of contractor performance.

- Creates opportunities to develop benchmarks to help set standards within programs.

The five DCFS programs reviewed included appropriate performance outcomes to be used to evaluate contractor performance and determine whether the program achieved its stated purpose. However, DCFS did not provide documentation that showed they evaluated the contractors' performance against targeted outcomes for three (60%) of the five programs reviewed.

Department management indicated they evaluated the contractors' performance for two of the three programs, but that documentation to support the evaluations was not maintained. DCFS acknowledged that they did not evaluate the contractors' performance for the remaining program.

Recommendation

- 13. DCFS management evaluate contractor performance with targeted outcomes for all contractors and appropriately document the results.**



**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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Director

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Chief Deputy Director

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Third District

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Fifth District

June 5, 2013

To: Wendy L. Watanabe
Auditor-Controller

From: Philip L. Browning
Director

RESPONSE TO THE AUDITOR-CONTROLLER'S DEPARTMENT OF CHILDREN AND FAMILY SERVICES - CONTRACT MANAGEMENT REVIEW

This is in response to your June 3, 2013 report, detailing the results of the Department of Children and Family Services (DCFS) Contract Management Review (Board Agenda Item 23, June 26, 2012) conducted by the Auditor-Controller (A-C). We have reviewed the report and appreciate the opportunity to correct and improve the areas identified by your staff.

Our responses are provided under the "DCFS Response" and "Status" headings following the A-C recommendations below.

Finding - Contract Staffing

DCFS' CAD is responsible for managing contract solicitations and maintenance for all DCFS contracts. We reviewed CAD's staffing levels and the class specifications for each position. CAD staff had the appropriate qualifications to carry out their job duties and the staffing levels were generally appropriate.

However, the CAD's Division Manager position has been vacant since February 2012. The Division Manager vacancy has resulted in increased workloads for the three section managers, such as preparing division-wide status reports and attending Board of Supervisors meetings. In addition, the Senior Deputy Director has assumed additional responsibilities to coordinate the work of the three division managers which impacts her ability to focus on more strategic issues for the Department. DCFS has been working with the Department of Human Resources (DHR) to fill the position.

DCFS should consider designating an Interim Division Manager until a candidate to fill the position is identified. Designating an Interim Division Manager over DCFS' three contract administration sections would promote centralization of the contract administration process, consistency in the enforcement of policies and procedures, and improved communication within CAD and the Department.

"To Enrich Lives Through Effective and Caring Service"

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A-C Recommendation #1:

Consider designating an Interim Division Manager until a candidate is identified to fill CAD's Division Manager position.

DCFS Response:

DCFS partially agrees with this recommendation.

Status:

DCFS acknowledges the immediate appointment of an Interim Division may have improved areas of communication, centralization and consistency within the Division. However, lack of available internal staffing resources with the necessary experience, skill and expertise made the implementation of this consideration impractical. The Department opted to use an open competitive search process to identify the most qualified candidates. The timing of the vacancy overlapped with the Chief Executive Office's Classification and Compensation Section (CEO Class/Comp) and the Department of Human Resources' (DHR) creation of a new countywide Administrative Services Division Manager job classification, position descriptions, and civil service exam; which were required prior to the production of job bulletins and vacancy announcements associated with this position. During this overlap period, executive leadership was provided by both the Director and the Senior Deputy as an opportunity to provide coaching and mentoring to the Division's management team.

On February 3, 2012, DCFS contacted CEO Class/Comp to request the date that the Administrative Services Division Manager examination would open for filing as DCFS was previously informed the exam would open in September 2011. On December 7, 2012, the Administrative Services Division Manager bulletin posted; and the filing period was from December 7, 2012, to January 11, 2013. The first round of interviews was held between April 2, and April 11, 2013. The second level interviews were held on May 9, 2013. On May 28, 2013, a candidate was selected to fill the position.

A-C Recommendation # 2:

Work with DHR to ensure key vacancies are filled promptly.

DCFS Response:

DCFS agrees with this recommendation.

Status:

Please refer to DCFS response to A-C Recommendation #1 for status.

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Finding - Contract Staff Development

Experienced and well-trained staff are necessary for efficient and effective contract management and monitoring functions. We surveyed 21 CAD staff and interviewed six program staff about their job training and experience. Ten (48%) of 21 contract staff surveyed had been assigned to CAD for less than four years and nine (43%) CAD staff had never worked on a DCFS RFP solicitation prior to their current assignments.

All CAD staff attended the Internal Services Department's introductory contracting class which covers basic County contracting processes. However, 11 (52%) of the 21 CAD staff indicated that they needed more training to effectively and efficiently perform their job duties. For example, staff indicated that they needed additional training in State and federal contracting requirements since the majority of the Department's contracts involve State and federal funding.

In addition, five (83%) of the six program staff interviewed stated that they had no contract training. As previously noted, program staff develop the SOWs and may monitor contractor program performance. Without an effective SOW, the contract and solicitation process will not succeed in meeting the needs of the Department. Contract training for program staff will provide increased understanding of the contracting process, improve working relationships among contract staff, and promote an effective solicitation process.

DCFS needs to provide ongoing training to staff to address their expanding job responsibilities, and explore different training options, including developing internal training classes using the knowledge and expertise of accomplished management in the Department, or hiring a consultant to develop training classes/tools. In addition, we will provide the Department with a list of training classes offered by the Auditor-Controller that could aid the Department in fulfilling their training needs.

A-C Recommendation # 3:

Ensure all staff involved in the solicitation process, including program staff, attend contract training.

DCFS Response:

DCFS agrees with this recommendation.

Status:

DCFS recognizes the Department can benefit from more comprehensive ongoing training to enhance the skills of our existing CAD and Program staff, as well as the staff that will become part of the new Contract Monitoring Unit. The Department has an existing process that provides a framework for educating, coaching and training of DCFS' Program Managers and Contracts staff implemented by the Department.

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In 2010, DCFS identified its Contract development and administration process as one of the four projects to participate in process mapping, using the Business Process re-engineering tools taught by Ken Miller. A multidisciplinary team with participants from Programs, Contracts and the Bureau Liaisons with facilitation provided by the Department's training section culminated in DCFS' Executive Management Team approving the creation of the Up-Front, Pre-CMS Planning Committee (UPPC), a forum consisting of representatives from all DCFS Programs, Bureau (Contract) Liaisons, Fiscal Operations Division staff, including Budgets and Fiscal Monitoring, chaired by Contracts Administration Division. The UPPC meets twice a month on the first and third Thursdays, and to-date, training on the following items has been provided at the UPPC:

- Submission requirements for Board filed documents to the CEO and Cluster scheduling;
- New Protocols for submitting Board letters;
- DCFS' Outstanding Debt Report that tracks any Overpayments or Audit Findings that result in money owed to DCFS from its Contractors; and
- Discussion on recently released fiscal reviews of DCFS contractors.

In addition to the UPPC, fiscal review and audit matters on DCFS placement and other contracts are discussed in detail at the quarterly Audit Committee meetings with participation from the Board Deputies, A-C, DCFS Contracts Bureau Services Deputy Director, DCFS Program Managers, Fiscal Operations Managers and certain Contract staff.

In addition to attending the two and one-half (2.5) day Basic Principles of County Contracting training provided by Internal Services Department (ISD), which details County contracting policies, DCFS Contracts staff regularly attend the following countywide contract training:

- Living Wage Contract Monitoring Training;
- Protest Policy Training; and
- Quarterly - County Contracting Network Meetings - each meeting has a training component, and the A-C also participates in these training meetings.

The A-C also recently provided fiscal overview training to the Department's Community-Based Services Division, the program office in charge of a number of community-based programs in accordance with the A-C's 2012-2013 Audit Work Plan document.

Also, in effort to supplement existing training, DCFS CAD Management contacted the County's Learning Academy to inquire about the availability of contract-related trainings. DCFS was informed that due to budget curtailments, many of the Learning Academy programs/training classes are no longer being offered. It is important to note that prior to the initiation of each solicitation process, a plan is developed by the respective section managers and meetings are convened with all assigned Contract staff to discuss the plan

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prior to implementation. In addition, CAD meets with the Program Managers to develop the solicitation timeline and plan the upcoming solicitation process. These meetings provide opportunities for on-the-job coaching and training to contract analysts and program managers working on the project.

Additionally, to secure ongoing training for CAD staff, including training related to State and Federal contract requirements, DCFS CAD Management has established the following short and long-term actions:

Short-Term:

1. DCFS CAD Management will request ISD to allow additional training slots in their quarterly 2.5 Day Contract Training for the new staff that will become a part of the DCFS Contract Monitoring Unit, as well as Program staff who has not yet had an opportunity to attend to ensure DCFS CAD and Program staff receives training as soon as possible.
2. DCFS CAD Management will request County Counsel (CC) and the CEO to provide training related to State and Federal contract requirements, to DCFS CAD and Program staff as soon as possible, similar to the "Services Contracting Policies and Practices" training they provided in September 2005.

Long-Term:

1. DCFS CAD and Bureau of Information Systems (BIS) developed a training survey designed to identify specific contracts related training areas in which responding managers felt the need for enhanced training. CAD in collaboration with a cross section of managers from BIS, Procurement, Internal Controls, Programs and Fiscal participated in a survey to identify the needs of staff relative to Contracts training. The survey and analysis was completed and the results were analyzed and provided to the Executive Team with subsequent approval being granted to explore training options. DCFS in collaboration with Auditor-Controller, County Counsel and ISD is projected to develop Contracting Overview Training modules for DCFS Program, Fiscal, and Management staff. The training modules are designed to facilitate a more efficient and effective contracting process and improve the overall contracting process from beginning (planning of the program) to end (execution, implementation and monitoring) and involves the ongoing collaboration and coordination of Program, Fiscal, and Contracts staff.

The recommended training topics are designed to ensure that DCFS has experienced and well-trained staff who are efficient and effective in contract management and monitoring functions. As indicated above, the trainings will involve collaboration with DCFS, County Counsel, the Auditor-Controller and ISD. The topics include, but will not be limited to:

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- A. DCFS Legal Authority Contracts Training conducted by County Counsel using Title IV-E funding.
- B. DCFS Contract Monitoring Training conducted by Auditor-Controller.
- C. DCFS Statement of Work Development Training conducted by ISD.

A-C Recommendation #4:

Provide ongoing training to contract administration, program, and monitoring staff as needed.

DCFS Response:

DCFS agrees with this recommendation.

Status:

Please refer to DCFS response to A-C Recommendation #3 for status.

Finding - Contract Staff Performance Goals

Effective goals to measure individual job performance can help improve accountability and ensure that high priority programs and ongoing projects are also monitored. Establishing individual goals to measure job performance can yield significant benefits by:

- Developing performance benchmarks that help identify workload standards.
- Identifying progress in achieving desired outcomes.
- Clarifying staff and line management responsibilities.
- Improving utilization of staffing and financial resources to achieve desired outcomes for program units and the Department.
- Improving executive management's decision making and selective intervention to ensure efficient achievement of desired outcomes.

Incorporating performance goals as part of the employees' performance evaluations also helps better align the employees' work efforts and personal goal-achievements with the overall goals of the Department.

We interviewed six staff regarding various aspects of DCFS' contract administration, and all six staff interviewed indicated that their performance evaluations do not include goals.

DCFS needs to develop performance goals for their contract management and monitoring staff and incorporate the goals in the staff's performance evaluations.

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A-C Recommendation #5:

DCFS management develop performance goals for their contract management and monitoring staff and incorporate the goals in the staff's performance evaluations.

DCFS Response:

DCFS agrees with this recommendation.

Status:

The performance of these managers is evaluated using the County Performance Evaluation format, with the content written in accordance with County and departmental standards. Both County and departmental strategic plans as well as the MAPP goals of the DCFS Director inform the identification and development of the performance expectations and operational outcomes which are monitored and annually evaluated. Fundamental Performance expectations are provided to section managers currently performing contract management functions. Staff have also been provided with written and verbal documentation of their performance expectations. These expectations are reviewed and discussed during regularly scheduled section meetings, as well as impromptu meetings. DCFS will work with the A-C and CEO to develop performance standards for these staff.

Additionally, in November 2012, DCFS implemented the County's web-based Performance Evaluation System. DCFS began an incremental roll-out of the web-based performance evaluations beginning with the CSW and SCSW classes and will phase in the remaining DCFS classifications. The system serves as an "electronic" method to evaluate an employee's performance and to identify and to inform the employee of performance expectations. The system requires that the supervisor discuss the employee's Performance Work Plan with the employee at the beginning of the rating period. Both the supervisor and employee must acknowledge the discussion in the system.

Finding - Policies and Procedures

Beyond the planning and goal setting duties that management performs, there is both the necessity and responsibility to establish a functional structure that will implement and promote the accomplishment of the Department's objectives. Accordingly, management must establish administrative controls to provide operational efficiency and adherence to prescribed Departmental policies. Policies and procedures assign responsibility for business activities and enable management to establish accountability for achieving the organization's objectives.

Written policies and procedures communicate Departmental and divisional goals and standards to employees. They also serve as a reference for staff, particularly, staff that are relatively inexperienced.

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In January 2011, DCFS began developing formal written contract monitoring policies and procedures to help standardize the contract management and monitoring processes. The Department needs to ensure that the finalized policies and procedures will sufficiently address all key contract management and monitoring areas.

A-C Recommendation #6:

DCFS management develop general and contract-specific written policies and procedures for Departmental contract management and monitoring.

DCFS Response:

DCFS agrees with this recommendation.

Status:

DCFS has developed a contract monitoring policy and procedure manual, which includes the scope and frequency for monitoring each contract, and is consistent with existing County policies and procedures. The manual is currently under review by County Counsel. The policy manual also includes Resolution Procedures, including timelines for the submission of Corrective Action Plans (CAP) by contractors and timely follow-up by DCFS staff. The contract monitoring policy and procedure manual was reviewed by the Auditor Controller (Monitoring and Audit Section) and ISD. Input received from the Auditor Controller was incorporated into the manual. Upon completion of the external review process, the monitoring manual will be submitted for the Director's approval and disseminated for implementation.

Finding - Contract Solicitation Process

We reviewed two RFPs, one RFSQ. We also reviewed two sole source agreements that the Department entered into over the last two years and four executed contracts. Our objective was to determine if DCFS followed County contract solicitation and sole source requirements, evaluated the proposals fairly, and included mandatory contract language.

DCFS included all mandatory solicitation instructions and forms in the solicitations reviewed and the evaluation process complied with County policy. DCFS also completed one of the two RFPs and the RFSQ within the established timeframes. In addition, DCFS followed the County's Sole Source Policy, including adequately documenting the sole source justification and properly notifying the Board of Supervisors.

One of the RFP solicitations reviewed involved hiring contractors to provide services covering different programs. The Department structured the solicitation in an effort to integrate services and ensure a continuum of care to clients. However, this approach proved to be more complicated than expected, resulting in delays in completing the solicitation process. For

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example, DCFS needed to make multiple revisions to the solicitation that necessitated the re-release of the RFP.

DCFS should consider adjusting the contract terms to avoid structuring complex solicitations that cover multiple programs. This would allow the Department to more efficiently deploy its contracting resources, and still implement a comprehensive service delivery system.

A-C Recommendation #7:

DCFS management consider adjusting the contract terms for selected contracts to avoid structuring complex solicitations that cover multiple programs.

DCFS Response:

DCFS agrees with this recommendation.

Status:

CAD considers the number of contracts requiring development, extensions, and amendments to determine how staff is deployed, to ensure that there is an equal distribution of assignments. Eighty percent (80%) of DCFS current contracts have unique contract terms. The current Safe Children Strong Families (SCSF) Request for Proposal (RFP) referenced in this report is an exception, rather than the rule. The unique nature of this solicitation was a result of the need to create a seamless service delivery system, and optimum continuum of care. Given that LA County represents 40.99 percent of the statewide child welfare population, this was a time consuming undertaking. The conceptual design was approved by the State. The five programs within this solicitation are closely related, three of which maintain the same funding stream. By intentional design these programs are interconnected and are meant to be implemented concurrently to provide an array of prevention, intervention, treatment, and aftercare services. Pursuant to the County contracting process DCFS routinely affords proposers an opportunity to ask questions, provide feedback and submit their recommended changes to the statement of work and the contract terms and conditions. At times, conflicting feedback is received from our many stakeholders and prospective contractors involved in the process. When conflicts are resolved, this occasionally results in the need to modify the solicitation documents as was the case with the solicitation referenced in this finding, which generated over 300 proposals. It is important to note, DCFS' solicitation timelines are comparable to other County Departments for solicitations of similar scope.

Finding - Contract Monitoring Reviews

We reviewed current monitoring practices for five programs to evaluate the adequacy of DCFS' contract monitoring. We reviewed a sample of contract invoices, monitoring reports, and interviewed program managers.

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DCFS' contract monitoring function is decentralized. The scope (e.g., administrative, program, or fiscal monitoring) and frequency of contract monitoring performed may differ depending on whether the monitoring is conducted by CAD, the applicable program unit, DCFS' Out-of-Home-Placement Division, etc. For example, CAD's staff monitors contractors for compliance with insurance requirements while DCFS' program staff monitor contractors for compliance with contract services provisions. In addition, the Auditor-Controller also performs fiscal reviews of certain contracts, such as Foster Family Agency, Group Homes, Family Preservation, and Wraparound services.

Although the five programs reviewed were monitored, the type and extent of the monitoring varied with some programs receiving extensive monitoring, while other programs received nominal or no formal monitoring. For example, we noted staff monitored two programs on an informal basis through discussions with the contractors rather than reviewing the contractors' records and other supporting documentation or interviewing key contractor staff. In addition, DCFS did not always conduct fiscal monitoring reviews for three (60%) of the five programs reviewed.

To enhance the Department's current contract monitoring efforts, the Department should develop a comprehensive risk-based monitoring plan. The plan should inventory all contracts by program and rank them according to their relative risk (e.g., child safety issues, service requirements, dollar value, contract type, etc.). In addition, the Department should identify the monitoring requirements for each program and identify whether the monitoring should be done internally or externally and how often.

To provide better standardization and improved accountability, the Department should consider centralizing their monitoring function and develop standardized monitoring procedures that define the scope, frequency, reporting requirements, and follow-up of each monitoring effort.

A-C Recommendation #8:

Ensure contracts are adequately monitored by qualified staff.

DCFS Response:

DCFS agrees with this recommendation.

Status:

As a part of its strategic plan initiative and departmental organizational re-alignment, DCFS recently combined its program operations responsible for Statement of Work development and contract compliance monitoring with its Contracts Administration Division under a single Deputy Director, reporting to the Department's Senior Deputy.

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Further, as a part of the Department's recent re-organization, the Department is moving to centralize all contract monitoring functions in a newly established Contract Services Bureau. Centralizing this function will enable the Department to better identify and target training needs, facilitate inter-departmental standardization, promote consistency and adequate monitoring processes by qualified staff. Actions taken by the Department to date include;

- Identified existing staffing resources that can be redirected to initially support the unit;
- Requested 7 additional items in Final Changes to establish an additional out of Home Care Investigations Unit (items approved by the Board on May 21, 2013); and
- Identified as a DCFS unfunded priority an additional need for 17 items to augment the Program/Contract monitoring staff to conduct bi-monthly contract reviews and provide technical assistance for all 440+ contracts with the Department.

It is important to note, prior to its recent restructuring, the department has always completed Program monitoring of its service contracts and has been required to submit to the Chief Executive Office (CEO) copies of the Contract Rating Detail forms completed for each service contractor as a part of the process it follows in renewing its service contracts. In addition, the A-C performs annual comprehensive fiscal reviews for the three Residentially Based Services (RBS) contracts to verify all costs of this pilot program in which DCFS participates. The program and fiscal outcomes from this pilot will be used to inform the baseline for the California Department of Social Services (CDSS) redesign of Group Home Foster Care services in California.

Copies of the completed Contract Rating Detail Forms will be provided to the A-C for the following contracts:

Family Preservation Services
CAPIT Services
Diligent Recruitment
PS-MAPP

The Department's review of the documentation on the contract rating detail forms completed by the Program Managers as a part of the contract renewal process for the A-C's identified samples (e.g., IMHP, CCAV, and Vista Del Mar) revealed the Program Manager's documentation on these forms indicates these Contractors corrected noted discrepancies in a timely manner and did not have any un-resolved issues.

A-C Recommendation #9:

Develop and implement a comprehensive risk-based monitoring plan, including program-specific monitoring policies and procedures.

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DCFS Response:

DCFS agrees with this recommendation.

Status:

A comprehensive risk based monitoring plan will be developed in partnership with the A-C that will combine inherent child safety and program delivery services with fiscal viability measures to prioritize which organizations are at a higher risk and require additional audits or more frequent follow-up. The plan will include program specific monitoring policies and practices and will also include an analysis of available data to identify risk related indicators or trends.

A-C Recommendation #10:

Consider centralizing the contract monitoring function to ensure standard and consistent monitoring, reporting, and follow-up.

DCFS Response:

DCFS agrees with this recommendation.

Status:

Please refer to DCFS response to A-C Recommendation #8 for status.

Finding - Contract Monitoring Reports

Issuing written reports to formally communicate the results of individual contractor monitoring reviews improves awareness throughout Department of the contractor's performance. In addition, providing a written report to the contractor provides them with formal notification to correct the areas of noted deficiencies, and provides a good basis to enforce contract remedies, such as payment suspension.

For three (60%) of the five programs reviewed, DCFS staff did not issue formal monitoring reports. The program managers verbally discussed the findings with the contractors. For the two programs that were issued monitoring reports, we noted that some of the findings contained in the reports were not sufficiently documented. For example, one monitoring report indicated ten case files were reviewed, but the documentation only supported DCFS staff reviewing seven case files.

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A-C Recommendation #11:

DCFS management ensure the issues noted in the monitoring reports are sufficiently documented, and that written reports are issued for all monitoring reviews and distributed to the appropriate DCFS managers and contractors.

DCFS Response:

DCFS agrees with this recommendation.

Status:

The Department is in the process of developing a new Contract Monitoring Section which will include additional staff resources to strengthen the Department's oversight of contracts and provide monitoring contract compliance including the timely submission of Corrective Action Plans by contractors; and the requisite follow-up by Contract Monitoring staff. The department's recently developed contract monitoring manual includes a Resolution section that provides instructions for contractor's timely submission of a CAP and timely follow-up by DCFS staff.

Finding - Contract Monitoring Follow-up

Requiring corrective action plans from contractors and conducting timely follow-up reviews hold contractors more accountable and helps ensure that the contractors' correct areas of non compliance.

DCFS does not always ensure that contractors submit corrective action plans within established timeframes. We noted that three (43%) of the seven corrective action plans reviewed were submitted by contractors more than two months after the stated deadline. We also noted that for two (29%) of the seven monitoring reports reviewed, staff did not ensure that outstanding recommendations identified in the monitoring reports were implemented

A-C Recommendation #12:

DCFS management ensure that contractors submit corrective action plans within established timeframes and that DCFS staff conduct timely follow-up.

DCFS Response:

DCFS agrees with this recommendation.

Status:

Please refer to DCFS response to A-C Recommendation #6 for status.

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Finding - Contractor Performance Outcomes

Establishing performance outcomes and monitoring contractors performance against targeted performance levels helps the Department evaluate whether the contractors and programs are achieving the programs' stated purposes. In addition, establishing and monitoring performance outcomes:

- Improves the quality of the contractor performance.
- Ensures readily identifiable and measurable contractor performance tasks and standards.
- Provides efficient auditing and monitoring of contractor performance.
- Creates opportunities to develop benchmarks to help set standards within programs.

The five DCFS programs reviewed included appropriate performance outcomes to be used to evaluate contractor performance and determine whether the program achieved its stated purpose. However, DCFS did not provide documentation that showed they evaluated the contractors' performance against targeted outcomes for three (60%) of the five programs reviewed.

Department management indicated they evaluated the contractor's performance for two of the three programs, but that documentation to support the evaluations was not maintained. DCFS acknowledged that they did not evaluate the contractors' performance for the remaining program.

A-C Recommendation #13:

DCFS management evaluate contractor performance with targeted outcomes for all contractors and appropriately document the results.

DCFS Response:

DCFS agrees with this recommendation.

Status:

The Department will develop a comprehensive plan which will include specific tools to evaluate, track and monitor contractor performance and outcomes for all contracts. The plan will also include resolution procedures, including timelines for the submission of CAPs by contractors. The plan will be reviewed by the A-C (Monitoring and Audit Section), ISD and County Counsel prior to implementation.

DCFS has requested Casey Family Foundation to survey other jurisdictions regarding best practices and promising approaches in contract monitoring to determine whether other jurisdiction levels of government use technology to assist in the auditing process. Casey

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has recently provided preliminary information. DCFS is reviewing the information and will follow-up with Casey.

If you have any questions, please call me or your staff may call Cynthia McCoy-Miller at (213) 351-5847.

PLB:CMM:EM